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Decision 18-07-008 July 12, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of 2013-2014 Statewide Marketing, Education and Outreach Program and Budget. (U39M)	Application 12-08-007
And Related Matters.	Application 12-08-008 Application 12-08-009 Application 12-08-010

DECISION REGARDING 2018 ALISO CANYON-RELATED MESSAGING

Summary

This decision makes two determinations regarding whether to continue funding for customer notifications and customer marketing, education and outreach activities for the purpose of reducing the risk of natural gas and electricity curtailments in the Los Angeles area this summer and fall.

First, Southern California Gas Company (SoCalGas) is directed to provide up to $5 million to the California Independent System Operator to support paid Flex Alert advertising focused on customers in the Los Angeles area.

Second, the Commission determines that no funds should be authorized for SoCalGas to continue to implement the targeted marketing, education, and engagement campaign, "Conserve Energy SoCal," that it developed in 2016 pursuant to Commission authorization and direction in Decision 16-04-039.

The Commission's Energy Division is directed to explore development of a plan for 2018-2019 winter season messaging regarding the need for gas conservation in the Los Angeles area, for consideration by the Commission. SoCalGas is directed to make funds available in the event the Commission adopts such a plan in a future Commission order.

This proceeding remains open.

1. Procedural Background

The scope of this proceeding encompasses the Flex Alert program and the Commission's statewide marketing education and outreach program (ME&O). These broadly interrelated programs concern the ME&O messages that are directed toward the energy consumers served by the gas and electric utilities regulated by the Commission.

First, the Flex Your Power brand and its associated Flex Alert brand were created during the California energy crisis of 2000 and 2001, inspired by emergency energy shortages necessitating emergency conservation by consumers. Today, the Flex Alert program continues to support emergency efforts for summer preparedness in the event of system emergencies or power shortages.

In Decision (D.) 15-11-033, the Commission approved a proposal by the California Independent System Operator (CAISO) to begin to administer and fund the Flex Alert program in 2016. Up until that point, the program was funded by ratepayers of the regulated electric utilities, and administered by one of those utilities in collaboration with the CAISO. As part of the 2016 transfer of responsibilities the Commission agreed that: (1) the CAISO would not continue the paid media program that had previously been funded by ratepayers of the investor-owned utilities; (2) the CAISO will maintain the Flex Alert brand in order to ensure that the Flex Alert program is an effective tool to maintain grid reliability; and (3) the CAISO shall maintain the ability to revise, modify, expand or discontinue Flex Alert activities as necessary to ensure reliable operation of the electric transmission grid.

Second, in D.13-12-038, the Commission adopted a statewide ME&O plan, "Energy Upgrade California" (EUC), intended primarily to foster increased and more effective energy management by residential and small business customers. In D.16-03-029 and D.16-09-020, the Commission authorized continued implementation of statewide ME&O. Cost responsibility for the total 2017-2019 EUC budgets was allocated to the ratepayers of Southern California Gas Company (SoCalGas), Southern California Edison Company, San Diego Gas & Electric Company, and Pacific Gas & Electric Company (PG&E).

SoCalGas owns and operates the Aliso Canyon gas storage facility (Aliso Canyon). A major gas leak was discovered at Aliso Canyon natural gas storage facility on October 23, 2015. On January 6, 2016, the Governor ordered SoCalGas to maximize withdrawals from Aliso Canyon to reduce the pressure in the facility. Among other actions, the Governor directed this Commission and the California Energy Commission, in coordination with the CAISO, to take all actions necessary to ensure the continued reliability of natural gas and electricity supplies during a moratorium on gas injections into the Aliso Canyon storage facility.

In response to the Governor's declaration and acting within the broad scope of this proceeding, the Commission initially authorized SoCalGas to provide up to $11 million of funding for 2016 ME&O activities in the Los Angeles

Basin, for the purpose of reducing the risk of natural gas and electricity curtailments in the Los Angeles area.[1] Of this funding, $5 million was used to support paid Flex Alert advertising by the CAISO, focused on customers in the Los Angeles area. The Commission also authorized SoCalGas to utilize up to an additional $6 million to implement the targeted marketing education, and Engagement (ME&E) campaign it proposed in its March 25, 2016 comments in this proceeding, "Conserve Energy SoCal." In 2017, the Commission authorized SoCalGas to spend an addtional $11 million for the same purposes, to address the same concerns about 2017 curtailments.[2]

On March 5, 2018, the assigned Administrative Law Judge (ALJ) issued a ruling (ALJ Ruling) noting that if funding for SoCalGas was not re-authorized by the end of March 2018 or shortly thereafter, funding for the Conserve Energy SoCal campaign and Flex Alerts would end. The ruling invited comments from parties in this proceeding regarding whether additional funding should be authorized and, if so, where the Commission should direct the funds. Parties were asked to respond to the following questions:

1. Does the current state of natural gas supply in Southern California, in light of expected storage inventory and pipeline supplies, necessitate further targeted marketing, education, and engagement in 2018 in the affected region? Why or why not?
2. If so, should the Commission continue to direct funds to Conserve Energy SoCal messaging, or should funds be directed to EUC to conduct targeted marketing in Southern California with the goal of reducing natural gas

[1] D.16-04-039, Ordering Paragraphs 1 and 2.

[2] D.17-05-004, Ordering Paragraphs 1 and 2.

consumption, in addition to what the EUC campaign is already doing?

3. Does the current state of natural gas supply in Southern California, in light of expected storage inventory and pipeline supplies, necessitate continued funding for Flex Alerts in 2018?

Opening comments were filed and served on March 16, 2018 by SoCalGas, PG&E, the CAISO, the Commission's Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN), and the Center for Accessible Technology (CforAT). ORA filed and served reply comments on March 21, 2018.

2. Positions of the Parties

2.1. Does the current state of natural gas supply in Southern California necessitate further targeted marketing, education, and engagement in 2018 in the affected region?

Parties' comments do not indicate strong support for continued ME&O funding in 2018.

SoCalGas asserts that ME&O funding will not markedly improve energy reliability because SoCalGas "already engages in programs and operations which encourage the efficient use of natural gas, and mitigate potential and actual supply constraints as they arise."[3]

SoCalGas also cites a Commission-ordered evaluation of the 2016 ME&O efforts, asserting that "the results of the evaluation indicated high awareness of

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[3] SoCalGas Comments at 3. SoCalGas cites its energy efficiency programs, its Emergency Flow Orders and Operational Flow Orders, the noncore curtailment protocol established in D.16-07-008, and demand response programs for residential customers. SoCal Gas also notes that "in accordance with the Aliso Canyon Withdrawal Protocol, SoCalGas coordinates with applicable Balancing Authorities, the CAISO and the Los Angeles Department of Water and Power, to limit and/or reduce demand in constrained areas."

energy conservation tactics, but did not indicate any measurable energy savings which resulted from the ME&O campaign."[4]

ORA states that without other interventions, reliability will continue to be a concern in the winter 2018-2019 period if Aliso Canyon is not operating at full capacity and limits on injections and withdrawals at the facility continue. In this situation, ORA sees ME&O as a useful tool to address shortages by reducing demand, particularly during peak usage events. ORA recommends that ME&O should continue through winter 2018-2019 unless the Commission determines that Aliso Canyon should resume normal operations.

TURN suggests that funding Conserve Energy SoCal may not be a useful response for 2018-2019. TURN bases its conclusions on the Opinion Dynamics evaluation and the Commission's "Aliso Canyon Demand-Side Resource Impact Report," dated May 2017. The latter document found that 95.6% of the total reduction in peak day gas use in the summer of 2016 was due to summertime gas balancing rules, whereas Conserve Energy SoCal and Flex Alerts contributed 2.5% of the total reduction.[5]

2.2. If so, should the Commission continue to direct funds to Conserve Energy SoCal messaging, or should funds be directed to EUC?

No party supported directing authorized funding to EUC.

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[4] *Id*. at 3-4, generally citing Opinion Dynamics, Aliso Canyon Marketing, Education and Outreach Effectiveness Study, August 2017 (CALMAC Study CPU0171.01). The Commission directed its Energy Division to lead this evaluation of the 2016 Flex Alert messaging and the marketing, education, and engagement campaign in D.16-04-039, Ordering Paragraph 5.

[5] Aliso Canyon Demand-Side Resource Impact Report, May 2017 Update, at 5 and 20-21.

SoCalGas and PG&E note that EUC is a statewide initiative that is tied to State goals and messaging (i.e., to help advance California's clean energy goals), and is not designed or intended to provide utility- or region-specific energy management and energy efficiency.

While ORA recommends that the Commission should order SoCalGas to continue funding in 2018 for Conserve Energy SoCal messaging, ORA also notes that "the existence of two marketing campaigns with largely overlapping messaging has the potential to confuse the public and may create redundancies in the use of ME&O funds." Thus, ORA also recommends that the Commission should develop a longer-term strategy for integrating the Conserve Energy SoCal campaign into EUC under a single management structure.[6]

CforAT recommends that if the Commission determines that further targeted marketing, education, and engagement is needed in 2018, any such funding should be directed to the Conserve Energy So Cal program rather than to EUC.[7]

2.3. Does the current state of natural gas supply in Southern California necessitate continued funding for Flex Alerts in 2018?

Parties offered contrasting recommendations regarding continued funding for Flex Alerts in 2018.

The CAISO recommends that the Commission again direct SoCalGas to provide funding to support paid advertisements for the Flex Alert campaign in 2018. The CAISO reports that it called Flex Alert events on June 20 and 21,

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[6] ORA Comments at 2-3.

[7] CforAT Comments at 1-2.

August 29, and September 1, 2017. Paid media advertising supported these Flex Alert calls, which resulted in capacity reductions. The CAISO suggests that the natural gas and electric systems will continue to face reliability challenges in 2018 due to the limited availability of the Aliso Canyon storage facility. The CAISO estimates that its Flex Alert calls can result in approximately 250-500 MW in capacity savings during hours of critical need. For these reasons, the CAISO concludes that additional funding for paid Flex Alert advertisements will ensure that the program remains an effective tool to mitigate electric reliability concerns during the summer and beyond.

As noted above, SoCalGas believes that the current natural gas supply challenges do not require additional funding for any marketing or outreach, including Flex Alerts.

TURN sees little value in additional incremental funding for generic statewide Flex Alert messaging. TURN again cites the Opinion Dynamics evaluation report, which "quantified a relatively small impact from Flex Alert messaging" and explained that these numbers were "considerably lower than CAISO-reported demand reductions during Flex Alert event," likely due to the fact that CAISO's estimates of the load reduction benefits of Flex Alerts are based on demand reductions in the entire CAISO service territory, where electric demand reductions may not reduce gas demand by electric generators in the Los Angeles Basin during peak day load conditions.[8]

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[8] TURN Comments at 4-5.

3. Discussion

We again acknowledge the efforts of parties to prepare thoughtful and well-researched comments in response to the questions posed in the ALJ Ruling, as well as comments and reply comments on the proposed decision (PD). Based on those comments, we make two determinations regarding activities and funding in 2018.

First, we conclude that we should not authorize funding for SoCalGas for additional ME&O activities in the Los Angeles Basin. SoCalGas indicates that it does not believe the funding is necessary, and we defer to their recommendation regarding funding for their own program, at least for this summer and fall. Therefore, no further funding is authorized for SoCalGas to continue to implement Conserve Energy SoCal. We discuss our plans for the winter season onward later in this decision.

Second, we note that in reply comments on the PD, the CAISO reiterated that it expects the natural gas and electric systems will continue to face reliability challenges in 2018 due to the limited availability of the Aliso Canyon storage facility.[9] The CAISO further noted that current pipeline transmission outages (with unspecified times for returning to service) on the SoCalGas system add to this complexity.[10] For these reasons, the CAISO continues to recommend that the Commission authorize funding to support the Flex Alert program as an effective means to address electric reliability concerns.

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[9] July 9, 2018 Reply Comments of the California Independent System Operator Corporation at 1.

[10] *Id.*at 2.

Based on this updated information and analysis by the CAISO, we find that we should reverse the determination of the PD to cease Flex Alert funding. Instead, we direct SoCalGas to provide up to $5 million to support paid Flex Alert advertising by the CAISO focused on customers in the Los Angeles area in the summer and fall months of 2018. We have balanced the update from the CAISO against the PD's reliance on the results of the evaluation of the 2016 impact of the Flex Alerts and Conserve Energy SoCal, and we conclude that the newer information tips the balance of our concerns toward authorizing further funding for Flex Alerts.[11] Given the concerns expressed by the CAISO, we do not think that it is prudent to cease all messaging to the public during the summer and fall of this year.

We also modify the PD with respect to possible customer notifications and customer marketing, education and outreach activities beyond the autumn of 2018. We find that it is reasonable to prepare for the possibility that the challenges cited by the CAISO (regarding both Aliso-related shortages and unrelated pipeline issues) may continue into the 2018-2019 winter season. ORA made a similar observation in its March 16 comments in response to the ALJ Ruling.[12] Although more information is necessary about the need for, and best

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[11] We also note that the Opinion Dynamics evaluation did find statistically significant demand reductions in 2016, although they were small and combined with the Conserve Energy SoCal campaign results. We find it reasonable to assume that 2017 results probably built on the 2016 foundation, and that results in 2018 could reflect further growth now that Flex Alerts have been funded for two summer seasons.

[12] "Without other interventions, reliability will continue to be a concern in the winter 2018-2019 period if Aliso Canyon is not operating at full capacity and limits on injections and withdrawals at the facility continue. Winter 2017-2018 was unusually warm. However, colder winter weather in 2018-2019 could create shortages that require curtailments of both non-core customers' gas and electric generators." ORA Comments at 2.

approach to, wintertime messaging in the event that it is determined that such activities are necessary, we recognize that we will need to move quickly to ensure that whatever actions are taken are timely and effective. Therefore, in this decision we take two additional actions. First, we direct the Commission's Energy Division to explore development of a plan for 2018-2019 winter season messaging regarding the need for gas conservation in the Los Angeles area, for consideration by the Commission. We leave matters of process to the discretion of the Energy Division, but this could include a workshop and/or a white paper, followed by some manner of report to the Commission.

Second, we authorize SoCalGas to make up to an additional $5 million in funding available, but only subject to our subsequent authorization of a specific plan for winter season messaging about gas conservation.

Finally, as an additional means for the Commission to receive information from affected communities in the Los Angeles area, it remains important that SoCalGas continue to actively collaborate with local interests in Southern California and respond to their concerns. In D.16-04-039 we directed SoCalGas to establish an advisory group to act as a partner with the utility during its 2016 and 2017 ME&O campaigns. The membership of the advisory group includes representatives of the CAISO, the Los Angeles Department of Water and Power, other investor-owned, publicly-owned, and municipal utilities in Southern California, and representatives of cities in the region who wished to participate. In today's decision, we direct SoCalGas to continue to convene meetings of this advisory group, on an as-needed basis after consultation with the Commission's Energy Division, to ensure that its members continue to have a voice as SoCalGas responds to the current state of natural gas supply in Southern

California. SoCalGas shall summarize the results of each meeting in a report to the Commission's Energy Division.

4. Comments on Proposed Decision

The PD of Administrative Law Judge (ALJ) Roscow in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. SoCalGas filed comments on July 2, 2018, and reply comments were filed on July 9, 2018 by the CAISO.

SoCalGas supports the PD because it "appropriately acknowledges that no further funding should be authorized" for Conserve Energy SoCal and Flex Alerts and moves toward "ensuring ratepayer funds are not unnecessarily spent…"[13] SoCalGas also requests revision of the PD to direct that advisory group meetings be held on an as-needed basis, and that the Commission reassess the value of continued advisory group meetings one year from now. These requested revisions are reasonable and the PD has been revised accordingly.

The CAISO responded to SoGalGas' comments on July 9, 2018. The CAISO disagrees with SoCalGas that "no further funding" should be authorized for Flex Alerts, and that such spending is "unnecessary".

First, the CAISO reiterates its March 16, 2018 comments, where the CAISO stated that it believes that additional paid advertising to support the Flex Alert program is warranted, due to continuing limitations on use of the Aliso Canyon storage facility and curtailment of the region's gas-fired power plants, as well as the potentially limited capacity at other natural gas storage facilities due to other

[13] SoCalGas Comments on the PD at 1.

safety programs. The CAISO supported additional funding for paid Flex Alert advertisements to ensure that the program remains an effective tool to mitigate electric reliability concerns during the summer and beyond.[14]

Second, the CAISO notes that "the continuing limitations on the use of the Aliso Canyon facility and current pipeline transmission outages (with unspecified times for returning to service) on the SoCalGas system add to this complexity"[15] and concludes "in light of the ongoing challenges, the CAISO recommends that the Commission authorize additional funding to support paid advertisements for the 2018 Flex Alert program."[16]

Based on our review of the CAISO's concerns in their March comments and because the CAISO reiterates those same concerns four months later, we have revised the PD to renew funding for Flex Alerts for the remainder of 2018. We have also revised the PD to initiate a process to allow us to consider options for wintertime messaging regarding conservation, should the need for such messaging be demonstrated. We place SoCalGas on notice that we may require them to provide up to an additional $5 million of funding for wintertime messaging regarding the need to conserve gas supplies, subject to our specific authorization in a future order.

5. Assignment of Proceeding

Carla J. Peterman is the assigned Commissioner and Stephen C. Roscow is the assigned ALJ in this proceeding.

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[14] CAISO Reply Comments on the PD at 1, citing CAISO March 16, 2018 Comments in response to March 5, 2018 ALJ Ruling at 1-2.

[15] *Id.* at 2.

[16] *Ibid.*

Findings of Fact

1. SoCalGas owns and operates the Aliso Canyon gas storage facility. A massive gas leak was discovered at the facility on October 23, 2015.
On February 18, 2016, California state officials announced that the leak was permanently sealed, but availability of the facility remains limited.

2. The Flex Alert program supports the State's and the CAISO's emergency efforts for summer preparedness in the event of system emergencies or power shortages.

3. The CAISO began to administer the Flex Alert program in 2016. The CAISO maintains the ability to revise, modify, expand or discontinue Flex Alert activities as necessary to ensure reliable operation of the transmission grid. The CAISO-administered Flex Alert program does not include paid media, but the CAISO continues its earned media Flex Alert activities, such as issuing notifications via the CAISO website and its smart phone application, news releases, and social media.

4. In D.13-12-038, the Commission adopted a statewide ME&O plan, intended primarily to foster increased and more effective energy management by residential and small business customers.

5. The Commission has already established the 2017-2019 budgets for each utility with respect to statewide ME&O, designated how that funding should be used, and allocated the costs to ratepayers of each utility.

6. The Commission's "Aliso Canyon Demand Side Resource Impact Report" found that in the summer of 2016, 95.6% of the total reduction in peak day gas use was due to summertime gas balancing rules, whereas Conserve Energy SoCal and Flex Alerts contributed 2.5% of the total reduction.

7. At this time it is reasonable to assume that the natural gas and electric systems in the greater Los Angeles area will continue to face reliability challenges in 2018 due to the limited availability of the Aliso Canyon storage facility, as well as outages on pipelines that deliver natural gas to the region.

8. More information is necessary regarding whether customer notifications and customer marketing, education and outreach activities should be funded during the 2018-2019 winter season.

9. It remains important that SoCalGas continue to actively collaborate with local interests in Southern California and respond to their concerns.

Conclusions of Law

1. No further funding should be authorized for SoCalGas to continue to implement its "Conserve Energy SoCal" marketing, education, and engagement campaign.

2. SoCalGas should provide up to $5 million in funding to support paid Flex Alert advertising by the CAISO in 2018, focused on customers in the Los Angeles area.

3. SoCalGas should be authorized to provide up to $5 million in funding, subject to the Commission's subsequent authorization of a plan for 2018-2019 winter season messaging regarding the need to conserve gas.

4. SoCalGas should use the ME&O Memorandum Account established pursuant to D.16-04-039 to continue to track all costs associated with the Flex Alert funding approved in this decision. The tracked costs should accrue interest.

5. The Commission should determine at a later time whether, and to what extent, the balance in the ME&O Memorandum Account should be incorporated into the rates of SoCalGas' customers.

6. SoCalGas should continue to convene meetings of the advisory group established in D.16-04-039 on an as-needed basis, after consultation with the Commission's Energy Division.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company shall provide up to $5 million to the California Independent System Operator to support paid Flex Alert advertising focused on customers in the Los Angeles area.
2. Southern California Gas Company is authorized to make up to $5 million in funding available, subject to the Commission's subsequent approval of a plan for 2018-2019 winter season messaging about gas conservation, as described in Ordering Paragraph 3.
3. The Commission's Energy Division shall explore development of a plan for 2018-2019 winter season messaging regarding the need for gas conservation in the Los Angeles area, for consideration by the Commission.
4. Southern California Gas Company (SoCalGas) shall use the Marketing, Education and Outreach Memorandum Account (MEOMA) established pursuant to Decision 16-04-039 to continue to track all costs associated with the Flex Alert funding approved in this decision. The tracked costs shall accrue interest. The Commission shall determine at a later time whether the balance in the MEOMA should be incorporated into the rates of SoCalGas customers.`
5. Southern California Gas Company (SoCalGas) shall continue to convene meetings of the advisory group established in Decision 16-04-039, on an as needed basis after consultation with the Commission's Energy Division, to

ensure that its members continue to have a voice as SoCalGas responds to the current state of natural gas supply in Southern California. SoCalGas shall summarize the results of each meeting in a report to the Energy Division.

6. One year after the issuance of this decision, Southern California Gas Company shall initiate a meeting with the Commission's Energy Division in order to assess and determine whether the advisory group established in Decision 16-04-039 should continue.

7. Application (A.) 12-08-007, A.12-08-008, A.12-08-009, and A.12-08-010 remain open

This order is effective today.

Dated July 12, 2018, at San Francisco, California.

MICHAEL PICKER
President
CARLA J. PETERMAN
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
Commissioners